

Honolulu, Hawaii

March 14, 2014

RE: S.B. No. 2820
S.D. 2
H.D. 1

Honorable Joseph M. Souki
Speaker, House of Representatives
Twenty-Seventh State Legislature
Regular Session of 2014
State of Hawaii

Sir:

Your Committee on Health, to which was referred S.B. No. 2820, S.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO INSURANCE,"

begs leave to report as follows:

The purpose of this measure is to update Title 24, Hawaii Revised Statutes (HRS), Relating to Insurance, to:

- (1) Conform to the federal Patient Protection and Affordable Care Act by:
 - (A) Prohibiting rescissions of coverage under a health benefit plan in certain circumstances and requiring health carriers to provide notice of rescission of coverage; and
 - (B) Mandating parity between medical and surgical benefits and benefits for alcohol dependency, drug dependence, and mental health treatment services; and
- (2) Clarify that companies with general casualty insurance authority can only write accident and health or sickness insurance as incidental or supplemental coverage;



- (3) Streamline and improve the operations of the Insurance Division by clarifying that, retention requirements for tax records for surplus lines brokers, and independently procured insureds;
- (4) Expand the authority of the Insurance Fraud Investigations Branch to review and take appropriate action on complaints of fraud relating to insurance under Title 24, but excluding workers' compensation insurance;
- (5) Include long-term care insurance as part of limited benefit health insurance;
- (6) Meet the accreditation standards of the National Association of Insurance Commissioners (NAIC) found in Article 11A of Chapter 431, HRS (Business Transacted with Producer Controlled Property/Casualty Insurer), by amending the definition of "licensed insurer" or "insurer" to include risk retention captive insurance companies;
- (7) Require that 80 percent of all investment income on the reserves net of investment manager fees be applied to rate determination and filing of a managed care plan;
- (8) Adopt recommendations from the Drafting Note of the NAIC Health Maintenance Organization Model Act to clarify that the definition of "uncovered expenditures" includes out-of-area services, referral services, and hospital services; and
- (9) Make other housekeeping changes for purposes of clarity, style, and consistency.

The Department of Commerce and Consumer Affairs supported this measure. The American Council of Life Insurers, Hawaii Medical Service Association, and Kaiser Permanente opposed this measure. The Hawaii Substance Abuse Coalition commented on this measure.

Your Committee has amended this bill by:

- (1) Deleting the provision requiring 80 percent of all investment income on the reserves net of investment



manager fees to be applied to rate determination and filing of a managed care plan;

- (2) Specifying that if any of the requirements specified in sections in Article 10A of Chapter 431, HRS, as applied to long-term care insurance are in conflict with the provisions of Article 10H of Chapter 431, HRS, the provisions of Article 10H shall govern and control;
- (3) Changing its effective date to July 1, 2150, to facilitate further discussion; and
- (4) Making technical, nonsubstantive amendments for clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Health that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2820, S.D. 2, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 2820, S.D. 2, H.D. 1, and be referred to the Committee on Consumer Protection & Commerce.

Respectfully submitted on
behalf of the members of the
Committee on Health,



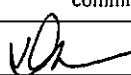
DELLA AU BELATTI, Chair



State of Hawaii
House of Representatives
The Twenty-seventh Legislature

HSR 958-14

Record of Votes of the Committee on Health

Bill/Resolution No.: SB 2020 SD2	Committee Referral: HLT, CPC, FIN	Date: 3/12/14		
<input type="checkbox"/> The committee is reconsidering its previous decision on the measure.				
The recommendation is to: <input type="checkbox"/> Pass, unamended (as is) <input checked="" type="checkbox"/> Pass, with amendments (HD) <input type="checkbox"/> Hold <input type="checkbox"/> Pass short form bill with HD to recommit for future public hearing (recommit)				
HLT Members	Ayes	Ayes (WR)	Nays	Excused
1. BELATTI, Della Au (C)	✓			
2. MORIKAWA, Dee (VC)	✓			
3. CARROLL, Mele				✓
4. CREAGAN, Richard	✓			
5. HASHEM, Mark J.	✓			
6. JORDAN, Jo		✓		
7. KOBAYASHI, Bertrand	✓			
8. OSHIRO, Marcus R.	✓			
9. WOODSON, Justin H.	✓			
10. MATSUMOTO, Lauren Kealohilani		✓		
TOTAL (10)	7	2		1
The recommendation is: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted If joint referral, _____ did not support recommendation. committee acronym(s)				
Vice Chair's or designee's signature: 				
Distribution: Original (White) – Committee Duplicate (Yellow) – Chief Clerk's Office Duplicate (Pink) – HMSO				